CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

GRAY DRUG STORES, INC.

NOTICE OF ANNUAL MEETING

Including

PROXY STATEMENT

Notice is hereby given that the annual meeting of shareholders of Gray Drug Stores, Inc. will be held at the principal office of the Corporation, 2400 Superior Avenue, Cleveland, Ohio, at 10 o'clock A. M. on Tuesday, September 24, 1946, for the purpose of (a) fixing the number of and electing directors for the ensuing year, and (b) transacting such other business as may properly come before the meeting.

PROXY STATEMENT

The enclosed proxy is being solicited by the management of the Corporation, and the entire cost of solicitation will be paid by the Corporation.

We are enclosing herewith an annual report of the Corporation for the fiscal year ended June 30, 1946, containing such financial statements for the last fiscal year as in the opinion of the management adequately reflect the position and operations of the Corporation. The Corporation has 138,500 shares of Common Stock outstanding.

At the present time it is intended that proxies which contain no instructions to the contrary will be voted in favor of fixing the number of directors at nine (9), and for the re-election of the following persons (hereinafter called "nominees") as directors of the Corporation: C. W. Evans, J. G. Gosling, Henry Gray, Mortimer Jacobs, Thomas H. Jones, C. B. Merrill, M. M. Neubauer, Adolph Weinberger and L. J. Wolf. Should any of the above named nominees for the office of director become unable or decline to serve as a director, it is intended that the persons appointed as proxies either will vote for the election of such other individual as the management may recommend in the place of such nominee or, in the absence of any such recommendation, will vote to fix the number of directors at a lesser number.

Financial and other reports will be submitted at the meeting and minutes of previous meetings of shareholders and directors will be made available for inspection by shareholders present at the meeting, but it is not intended that any action will be taken in respect thereof. It is not anticipated that matters other than the fixing of the number of directors and election of directors will be brought before the meeting for action, but if any such other matters should be brought before the meeting it is intended that the persons appointed as proxies may vote or act thereon according to their judgment.

Remuneration Paid to Directors, Nominees and Officers

The following table sets forth the remuneration paid by the Corporation and its subsidiaries during the fiscal year ended June 30, 1946, to or for the benefit of officers and directors of the Corporation, including the nominees:

	Aggregate remuneration excluding pension fund payments listed in next column	Net payments by Corporation and its subsidiaries into Employees' Pension Fund for benefit of officers	Maximum annual benefits estimated to be payable under Employees' Pension Fund Plan after retirement, based on compensation during last fiscal year and continuance of Plan until normal age as defined therein
Directors:			
C. W. Evans	$15,666.73	$1,365.86	$ 3,428.64
J. G. Gosling	150.00		
Henry Gray	17,084.98	1,465.96	3,102.12
Mortimer Jacobs	9,430.94	867.52	1,883.16
Thomas H. Jones	200.00 (1)		
C. B. Merrill	175.00		
M. M. Neubauer	11,517.41	1,065.00	1,702.80
Joseph Spivack (2)	16,500.00		
Adolph Weinberger	30,000.00	2,468.75	2,316.00
L. J. Wolf	275.00		
All officers and directors of the Corporation:	107,788.91	7,820.13	13,930.92

(1) In addition the Corporation and its subsidiaries paid the sum of $40,545 to Jones, Day, Cockley & Reavis, in which firm Mr. Jones is a partner, for legal services rendered during the fiscal year ended June 30, 1946.

(2) Mr. Spivack resigned as an officer and director of the Corporation effective August 1, 1945.

The remuneration paid to Mr. Weinberger during the last fiscal year exceeded the remuneration paid to him during the fiscal year ended June 30, 1945 by $4,000.16. The aggregate remuneration paid to all officers and directors of the Corporation (including Mr. Weinberger) during the last fiscal year exceeded the aggregate remuneration paid to officers and directors during the fiscal year ended June 30, 1945 by $23,678.80.

Information Relating to Nominees and to Holdings of the Corporation's Securities

The following table sets forth the principal occupation or employment of each nominee, the year in which such nominee first became a director of the Corporation and, based on information received from the nominees, the amount of the Corporation's securities owned beneficially by each nominee:

Name of Nominee	Principal Occupation or Employment	Year first elected a Director	Number of shares of the Corporation's Common Stock beneficially owned, directly or indirectly, on August 15, 1946
C. W. Evans	Vice President and Secretary of the Corporation	1945	100
J. G. Gosling	President of Retail Properties, Inc., Cleveland, Ohio	1938	None
Henry Gray	Vice President of the Corporation	1945	761
Mortimer Jacobs	Vice President of the Corporation	1931	1,099
Thomas H. Jones	Lawyer—Member of firm of Jones, Day, Cockley & Reavis, Cleveland, Ohio	1930	None
C. B. Merrill	President of Merrill, Turben & Co., Cleveland, Ohio	1945	None
M. M. Neubauer	Vice President of the Corporation	1937	178
Adolph Weinberger	President and Treasurer of the Corporation	1928	20,466 (1)
L. J. Wolf	Retired	1930	18

(1) These holdings represent approximately 15% of the Corporation's outstanding Common Stock. In addition, as of August 15, 1946, an aggregate of 7,422 shares were held by Mr. Weinberger's associates including 4,890 shares owned by his wife, Mrs. Minnie Weinberger.

Interest of Nominees or Associates in Corporate Transactions

C. B. Merrill is President and a large shareholder of Merrill, Turben & Co. and of Western Reserve Investing Corporation, both of which firms participated in transactions with the Corporation during the last fiscal year.

Merrill, Turben & Co. headed the underwriting group which on October 1, 1945 purchased from the Corporation 20,000 shares of a new class of $2.20 Convertible Preferred Stock (par value $50) at a price to the Corporation of $50.00 a share. Merrill, Turben & Co. purchased 5,200 of such shares pursuant to its underwriting commitment. The Convertible Preferred Stock was offered to the public at a price of $52.00 a share.

In connection with the redemption of its Convertible Preferred Stock, the Corporation entered into a stand-by agreement dated May 28, 1946, under which Western Reserve Investing Corporation agreed to purchase from the Corporation, at $27.00 a share, all shares of Common Stock of the Corporation then reserved for issuance in conversion of the Convertible Preferred Stock and not thereafter so issued. Pursuant to this agreement, 3,190 shares of Common Stock were sold to Western Reserve Investing Corporation for an aggregate consideration of $86,130.00.

Miscellaneous

Shareholders have cumulative voting rights in the election of directors, provided they give 24 hours notice in writing to the President or a Vice President of the Corporation that they intend to cumulate their votes at such election, and an announcement of the giving of such notice is made upon the convening of the meeting.

Shareholders of record at the close of business on September 6, 1946, shall be the only shareholders entitled to notice of and to vote at the meeting.

Please execute and return promptly the enclosed proxy whether or not you expect to attend the meeting. You may revoke your proxy but, unless you provide otherwise in your proxy, you may revoke only by giving notice to the Corporation in writing or in open meeting before any vote is taken or thereafter with the consent of the inspectors of election. A subsequent proxy will be deemed to constitute a revocation of any earlier proxy.

GRAY DRUG STORES, INC.

By C. W. EVANS,
Secretary.

Cleveland, Ohio, September 14, 1946.